

Morning Brief

Daily | April 30, 2024

Today's Outlook:

US MARKETS: The Treasury Department raised its estimate of net borrowing in the April to June quarter to USD 243 billion, up from the USD 202 billion amount estimated in late January, driven by lower cash receipts. The larger-than-expected funding needs in the quarter, signaling more bond sales than expected, pressured bond prices and pushed yields up from the day's low. Speaking of the US central bank, the Federal Reserve will begin its two-day meeting on Tuesday which is widely expected to hold interest rates in place; however market participants will focus on statements from Chairman Jerome Powell especially if his comments tend to be hawkish. Financial institution UBS thinks the US is still on an economic path that can avoid recession and achieve a soft-landing, so they hold hope that the Fed could cut interest rates this year. Elsewhere, Macquarie no longer expects a rate cut in 2024 and pushed back the first pivot projection to 2025, on the premise that Core PCE Inflation will only reach the 2% target next year. Today's ECONOMIC CALENDAR is also characterized by Chicago PMI (Apr) and CB Consumer Confidence (Apr) which is predicted to drop slightly to 104.0 from 104.7 previous position.

COMMODITIES: OIL prices slid more than 1% per barrel on Monday as talks on a ceasefire in the Middle East conflict emerged in Cairo; while US inflation data also dampened prospects of a rate cut. While Hamas leaders arrived in Cairo for talks with mediators from Egypt and Qatar, Israel launched airstrikes that killed at least 25 Palestinians and wounded many others. Traders are looking at the possibility of the Israel - Iran War situation not escalating further, while monitoring the outcome of the Federal Reserve's FOMC Meeting, which is feared to hold the possibility of a 25bps hike this year if US inflation and labor market remain resilient. US Treasury yields and a stronger US Dollar will make Oil more expensive for non-US buyers. This week traders will look forward to Friday's US Nonfarm Payroll data which is also closely monitored by the Fed. On the other hand, April Inflation figures from the Eurozone region (Spain & Germany) presented a mixed view for the European Central Bank, but are unlikely to cancel the forecast of a rate cut in June. More Inflation data from the Eurozone region will be released this Tuesday.

ASIA MARKETS: As Germany released CPI (Apr) at 2.2% yoy, it managed to come in slightly lower than the projected 2.3% and is still stable from March at 2.2%, although on a monthly basis there was a 0.5% mom increase, slightly higher than March's 0.4%. More data from Germany comes today: Retail Sales (Mar), Unemployment Change (Apr), and German GDP Q1. Eurozone will release their CPI (Apr) which is expected to remain stagnant at around 2.4% same as the previous month. Their preliminary Q1 GDP estimate will also be released today where it is expected that the economy could grow by 0.2%, a slight improvement from 0.1% in the same quarter last year. The Asian continent also holds some important information today as what market participants must be monitoring closely is China's Manufacturing PMI data as well as their Composite PMI for April.

INDONESIA: Foreign funds are still flowing out of the Indonesian stock market and Government Securities, with net sells reaching around IDR 34.98 trillion month to date. On Monday (29/4/2024), the Indonesia Stock Exchange recorded a net sell of Rp 0.4 trillion, continuing the net sell of Rp 2.16 trillion last Friday (26/4/2024). On the domestic stock exchange, so far this April, foreigners have recorded net sales of IDR 19.06 trillion; deflating their net buy position year to date down to IDR 7.22 trillion. Meanwhile, in the Government Securities (SBN) market, on a month to date basis, foreigners have recorded net sales of IDR 15.92 trillion in SBN until last Thursday. Meanwhile, on a year to date basis, foreigners recorded net sales of IDR 47.26 trillion until last Thursday. Not surprisingly, the ID10YT yield has shot up to 7.30%, a figure not seen since November 2022. USD/IDR has yet to move from 16241 level, despite BI's 25bps rate hike last week.

Corporate News

Hartadinata Abadi (HRTA) Offers IDR 500 Billion Sustainable Bonds PT Hartadinata Abadi Tbk (HRTA) will offer sustainable bonds II phase I in 2024, amounting to IDR 500 billion. This bond is part of Sustainable Bonds II with a target fund raised of IDR 1 trillion. In its brief prospectus, HRTA management said on Friday (26/4/2024) that the IDR 500 billion bond has a 5-year term, while the full principal payment will be made on the repayment date, namely September 20, 2024. Meanwhile, Bond Interest is paid every 3 months, calculated based on the number of days passed with the calculation of 1 year is 360 Calendar Days and 1 month is 30 Calendar Days from the Issue Date. The first interest payment will be made on June 20, 2029. The guarantor for this bond issuance is the Credit Guarantee and Investment Facility (CGIF), a trust fund institution of the Asian Development Bank (ADB). The proceeds from the Bonds Public Offering, after deducting the issuance costs, will be used for long-term working capital, including for the manufacturing of gold jewelry and bullion products, as well as the expansion of the Company's gold retail stores. (Bareksa)

Domestic Issue

Prabowo-Gibran Government's First Year Debt Ratio Targeted to Rise to 40 Percent Director General of Financing and Risk Management of the Ministry of Finance (Kemenkeu) Suminto raised his voice regarding the debt ratio of the new government, which is targeted to rise to around 40 percent. According to Suminto, the debt ratio in 2025 will be influenced by several factors, including the level of the 2025 state budget deficit. Next year's state budget, he said, is still in the drafting stage. "Around May 20, the government will submit the KEM-PPKF (Macroeconomic Framework and Principles of Fiscal Policy). Followed by August 16, the Government submitted the Financial Note and the 2025 State Budget to the President," Suminto said in a written message to VOA. "Because the 2025 State Budget posture has not yet been formed, including the basic macroeconomic assumptions, I have no comment on the debt ratio in 2025," he explained. For information, in the 2025 RKP, the government raised the target debt to GDP ratio along with the increase in the state budget deficit which is targeted to be in the range of 2.45 percent-2.8 percent of GDP. The state budget deficit target is higher than this year's state budget deficit target of 2.29 percent. Economic observer from Brawijaya University Chandra Prananda said the ratio of government debt to GDP, which is targeted to increase to 40 percent, is still relatively safe, considering that it is still below the statutory provisions, which are a maximum of 60 percent of GDP. (VOA Indonesia)

Recommendation

US10YT finally closed below MA10 / 4.634% YIELD for the first time since it started its upward swing since early April. US10YT may resort to the next support: MA20 / 4.556% yield; and if it still breaks out as well then it confirms DOUBLE TOP (bearish reversal) pattern with TARGET bottom around 4.40% - 4.38% yield which is lower channel - uptrend area. ADVISE: reduce position.

ID10YT's upward move has not been stopped yet, it has now reached a yield of 7.34% a level that has not been seen since November 2022. It is likely that ID10YT is heading towards the following TARGETS: 7.48-7.50% / 7.60-7.676%. Given the steep VELOCITY, the best ADVISE is to set your TRAILING STOP, while letting your profits run.

PRICE OF BENCHMARK SERIES

FR0090 : 94.96 (-0.11%)

FR0091 : 95.39 (-0.16%)

FR0094 : 96.24 (0.00%)

FR0092 : 99.72 (-0.05%)

FR0086 : 98.07 (+0.06%)

FR0087 : 96.36 (-0.16%)

FR0083 : 102.93 (-0.09%)

FR0088 : 92.93 (0.00%)

CDS of Indonesia Bonds

CDS 2yr: -2.59% to 33.10

CDS 5yr: -3.05% to 76.06

CDS 10yr: -2.08% to 129.71

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	7.22%	0.04%
USDIDR	16,255	0.28%
KRWIDR	11.80	0.08%

Global Indices

Index	Last	Chg.	%
Dow Jones	38,386.09	146.43	0.38%
S&P 500	5,116.17	16.21	0.32%
FTSE 100	8,147.03	7.20	0.09%
DAX	18,118.32	(42.69)	-0.24%
Nikkei	37,934.76	306.28	0.81%
Hang Seng	17,746.91	95.76	0.54%
Shanghai	3,113.04	24.41	0.79%
Kospi	2,687.44	31.11	1.17%
EIDO	20.69	0.38	1.87%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	2,335.7	(2.3)	-0.10%
Crude Oil (\$/bbl)	82.63	(1.22)	-1.45%
Coal (\$/ton)	137.40	7.65	5.90%
Nickel LME (\$/MT)	19,148	48.0	0.25%
Tin LME (\$/MT)	32,566	155.0	0.48%
CPO (MYR/Ton)	3,915	19.0	0.49%

Indonesia Macroeconomic Data

Monthly Indicators	Last	Prev.	Quarterly Indicators	Last	Prev.
BI 7 Day Rev Repo Rate	6.25%	6.00%	Real GDP	5.04%	4.94%
FX Reserve (USD bn)	140.40	144.00	Current Acc (USD bn)	-1.29	-0.90
Trd Balance (USD bn)	4.47	0.87	Govt. Spending Yoy	2.81%	-3.76%
Exports Yoy	-4.19%	-9.45%	FDI (USD bn)	4.82	4.86
Imports Yoy	-12.76%	15.84%	Business Confidence	104.82	104.30
Inflation Yoy	3.05%	2.75%	Cons. Confidence*	123.80	123.10

Date	Country	Hour Jakarta	Event	Period	Actual	Consensus	Previous
Monday 29 – Apr.	GE	19:00	CPI YoY	Apr P	2.2%	2.3%	2.2%
Tuesday 30 – Apr.	US	20:45	MNI Chicago PMI	Apr		45.0	41.4
	US	21:00	Conf. Board Consumer Confidence	Apr		104.1	104.7
	CH	08:30	Manufacturing PMI	Apr		—	50.8
	CH	08:45	Caixin China PMI Mfg	Apr		—	51.1
	GE	14:55	Unemployment Change (000's)	Apr		—	4.0K
	EC	16:00	CPI MoM	Apr P		0.6%	0.8%
	KR	06:00	Industrial Production YoY	Mar		5.5%	4.8%
Wednesday 1 – May	US	18:00	MBA Mortgage Applications	Apr 26		—	-2.7%
	US	19:15	ADP Employment Change	Apr		185K	184K
	US	20:45	S&P Global US Manufacturing PMI	Apr F		49.9	49.9
	US	21:00	ISM Manufacturing	Apr		50.1	50.3
	KR	07:00	Trade Balance	Apr		\$2,340M	\$4,291M
Thursday 2 – May	US	01:00	FOMC Rate Decision (Upper Bound)	May 1		5.50%	5.50%
	US	01:00	FOMC Rate Decision (Lower Bound)	May 1		5.25%	5.25%
	US	19:30	Trade Balance	Mar		-\$69.0B	-\$68.9B
	US	19:30	Initial Jobless Claims	Apr 27		—	207K
	US	21:00	Factory Orders	Mar		1.6%	1.4%
	US	21:00	Durable Goods Orders	Mar F		—	2.6%
	ID	07:30	S&P Global Indonesia PMI Mfg	Apr		—	54.2
	ID	11:00	CPI YoY	Apr		3.10%	3.05%
	KR	06:00	CPI YoY	Apr		3.0%	3.1%
	KR	07:30	S&P Global South Korea PMI Mfg	Apr		—	49.8
Friday 3 – May	US	19:30	Change in Nonfarm Payrolls	Apr		250K	303K
	US	19:30	Unemployment Rate	Apr		3.8%	3.8%

Source: Bloomberg, NHKSI Research

United States 10 Years Treasury



Indonesia 10 Years Treasury



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